Nova Scotia Economic Development
Annual Accountability Report for the Fiscal Year 2001-2002

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Accountability Statement

The accountability report of Nova Scotia Economic Development (NSED) for the year ended March 31, 2002, is prepared pursuant to the *Provincial Financial Act* and government policy and guidelines. These authorities require the reporting of outcomes against the NSED business plan information for the fiscal year 2001-02. The reporting of NSED outcomes necessarily includes estimates, judgments and opinions by department management.

We acknowledge that this accountability report is the responsibility of department management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the NSED business plan for the year.

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Cecil P. Clarke
Minister

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Robert A. MacKay
Chief Executive Officer

Message from the Minister

In compliance with the *Financial Measures (2000) Act*, I am pleased to provide the 2001-02 Accountability Report for Nova Scotia Economic Development (NSED). This is the second Accountability Report produced by the department and is a continuation of the government's commitment to be open and accountable to the people of Nova Scotia.

During the past year-and-a-half a significant restructuring of economic development functions has taken place within government. Focal points are the newly restructured NSED and the Technology and Science Secretariat (TSS), now called the Office of Economic Development, and the newly created Nova Scotia Business Inc. (NSBI). These organizations, along with the Nova Scotia Film Development Corporation, In*NOVA*corp, the Waterfront Development Corporation and the World Trade Centre Limited comprise a cluster of organizations that grow our economy and help to support the efforts of the government of Nova Scotia.

On March 8, 2002, the Department of Economic Development merged with the Technology and Science Secretariat to form the new Office of Economic Development. The transition to the Office of Economic Development combines the strengths of the two former departments, allowing them as one organization to become the focal point for government to advance its economic, technological and innovation agendas in partnership with businesses, governments and communities.

Introduction

This accountability report is based on the goals, priorities and outcomes set out in the NSED Business Plan for 2001-2002 and should be read in conjunction with that plan.

This is the second accountability report of NSED as government extended the requirement for accountability reporting set out in the *Financial Measures (2000) Act* to include departments and agencies that produce business plans each spring.

The report is designed to reflect on the department's business plan for 2001-2002 and account for the results of departmental programs and spending in 2001-2002. It looks at the goals and priorities stated in the spring of 2001 and reports on whether they were achieved. It is important to note that this report reflects progress only up to the end of March 2002.

The body of this report contains a statement of the department's goals and priorities from the NSED Business Plan for 2001-2002. It follows with a description of accomplishments and progress relative to those goals and priorities. Financial results are provided with an explanation of any significant budget variances. Finally, a section on outcome measures reporting is included. As the outcome measures section has been a work-in-progress, reporting will be based on the 2001-2002 fiscal year but the measures stated in the 2002-2003 business plan will be used.

Readers of this report should be mindful that NSED went through significant restructuring in 2001-2002. The province has significantly restructured the way it promotes economic growth. The restructuring was a direct response to the province's economic growth strategy, *Opportunities for Prosperity (OfP)*, which was released in October 2000. *OfP* provided a new policy framework for government activities to support economic growth. It also identified opportunities for the department and its partners to pursue. The focal point was a reorganized economic development department and the creation of Nova Scotia Business Inc. (NSBI).

NSBI was created in April 2001 by an Act of the Legislative Assembly. Its first board of directors was named at that time, and in July 2001, the first president and chief executive officer were appointed. Regulations providing NSBI with its operating powers were subsequently passed in November 2001. NSBI has a focus on business attraction, business retention and expansion, trade promotion, and lending and finance. It has a lead role in investment promotion and export growth, two of the seven strategic directions outlined in *OfP*.

NSED was designated with responsibility for implementing the economic growth strategy. Of the seven strategic directions outlined in the *OfP* document, NSED is to lead two: business climate improvement and the building of regional economic capacity. NSED was also tasked with working to support the enhancement of strategic economic infrastructure and to promote innovation. Among the opportunities for growth outlined in *OfP*, the department was mandated to work cooperatively with other provincial partners to coordinate efforts to build the digital economy in Nova Scotia and support efforts to grow our energy, advanced manufacturing, life

sciences and learning industries. As part of the departmental restructuring, NSED built new capacity to develop trade policy, manage strategic economic development projects and promote industrial benefits for Nova Scotia businesses from large public and private procurement projects.

In March 2002, Premier Hamm announced the province's next steps in maximizing economic growth opportunities for Nova Scotia—the merger of the NSED and the Technology and Science Secretariat. The merger recognizes the need to integrate innovation at all levels of the economic policy development process. The office will be responsible for economic planning and coordination, innovation and technology issues and trade policy, leaving business development functions to NSBI. The organizational structure of the new office will be implemented throughout the summer and fall of 2002.

Department Progress and Accomplishments

GOAL 1. We will make it easier for businesses to start, grow and create jobs by building the best business climate in the Atlantic Region.

Priority A— *Through research, consultation and with NSBI and other partners, work to develop key high growth and emerging industry clusters. And through a field staff presence, identify regional business climate barriers to growth and with RDAs, Community Business Development Corporations, Chambers of Commerce and other relevant organizations develop solutions and advocacy for improvement.*

With regard to regional business climate, operational (economic development) plans are in place for all service regions (Cape Breton, Northern, Western and Capital) that consider opportunities, barriers and community interests. Field staff are responsible for implementation with support from the central office in Halifax.

Access to three phase power, a more efficient industrial power source, has been a recurring problem for rural industrial development. A combined NSED, NSBI and Emera Committee has been launched to deal with this problem.

The department continued its close relationship with the Nova Scotia Co-operative Council (NSCC). This included financial support for the development role of the NSCC within the co-operative community, which has a strong rural presence. In November 2001, the department, with the support of the sector, succeeded in having amendments to the *Co-operative Associations Act* passed in the Legislature. Once proclaimed, these changes will provide a more updated and relevant legislative environment for the sector.

Priority B—*With Department of Finance, bring forward a comprehensive review of tax incentives, recommendations, and publish an annual Business Climate Report Card.*

NSED provided input to the Department of Finance regarding the review of tax incentives. This input helped to shape the final report. NSED had direct impact on adding several years to the sunset date for Community Economic Development Investment Funds and ensured no changes were pushed forward that would negatively affect the economy.

The department developed background material and held meetings with key stakeholders on the development of a Business Climate Index for Nova Scotia that was released in June 2002.

Priority C — *We will increase the readiness of Nova Scotia companies to benefit from government and large scale procurement spending by developing and implementing, in conjunction with the NSBI Expansion and Retention Program, and the Nova Scotia Business Opportunities Initiative, and coordinated with Transportation and Public Works' Procurement Office and Brand NS, a new Industrial Benefits Program that balances rural and urban business*

needs and opportunities, and brings increased business to Nova Scotia companies through more local purchasing .

A Director of Industrial Benefits was hired in October 2001. Excellent working relationships were forged with the other Atlantic Canadian provinces and advances were made in promoting a regional perspective on industrial benefits. Also, provincial contact with Ottawa regarding industrial benefits was increased. Four networking visits were conducted.

NSED participated in the Premier's trade mission to Washington in December 2001, with two key players in the aerospace and defense industries. NSED also fostered working relationships with industry associations such as the Canadian Association of Petroleum Producers, Canadian Manufacturers & Exporters, and the Ontario Aerospace Council. These relationships allowed more direct access to association memberships and consequently more expedient information sharing.

NSED worked in a collaborative cost-sharing partnership with the Atlantic Canada Opportunities Agency (ACOA) to host various original equipment manufacturers to the region; this included supplier conferences. Original equipment manufacturers secure billion dollar contracts that come with the requirement for Canadian content, and from this requirement comes the need to source within the regions of Canada. Through supplier conferences in Nova Scotia, NSED has forged supply linkages with Nova Scotia businesses that are now in various stages of development.

The department also partnered with ACOA in undertaking a study of major Crown project opportunities that identified $17 billion worth of opportunities over the coming seven to 10 years. Another partnership with ACOA resulted in hosting a US Procurement Opportunities seminar conducted by the Canadian Commercial Corporation (CCC). NSED is aggressively following up leads to strengthen Nova Scotia's ties to CCC and the US Department of Defense to ensure we are on their radar screen.

The Nova Scotia Business Opportunities Initiative (NSBOI) was implemented by Transportation and Public Works and NSED. It supports the creation of an awareness among Nova Scotia buyers and sellers about public sector opportunities for Nova Scotia products in markets inside and outside the province. The initiative encourages a broader distribution of information on Nova Scotia business capabilities, a greater competitiveness of Nova Scotia products and services, and an expansion of the use of e-commerce/e-procurement activities. NSED was involved in the hiring of a NSBOI coordinator and in dealings with the Masonry Association and the Fabricators Association. A work plan is close to completion.

With regard to Brand Nova Scotia, a senior level interdepartmental working group has been established to address the opportunities for increased coordination of efforts to market the province. A number of research projects in key markets for Nova Scotia products were commissioned to increase the knowledge and understanding of the province's brand identity. These will be completed in the summer of 2002. As well, best practices research was carried out on similar brand marketing campaigns in other jurisdictions, nationally and internationally.

***Priority D**—With our partners, create and implement an aggressive Digital Economy Strategy (including e-Business) that coordinates federal, provincial and local resources dedicated to building Nova Scotia's emerging strengths in all areas of computer-mediated enterprise, from broadband connectivity to e-Business and new media to telemedicine .*

Building on the impacts of increased community access to the Internet, more computers in schools and an increased capacity for e-Business education and research through the Information Economy Initiative, the Province of Nova Scotia has begun initial planning for a broader, more inclusive initiative—the Nova Scotia Digital Economy Initiative.

Drawing together the resources and experience of the education, public and private sectors, the Digital Economy Initiative will promote the huge development potential of information and communications technology in growing the economy.

***Priority E**—Improve the climate for venture capital investment in Nova Scotia and bring more immigrant investment to Nova Scotia in key areas of the economy.*

NSED had consultations with existing Nova Scotia-based venture groups.

A dedicated staff officer provided ongoing support for Community Economic Development Investment Fund start-ups across the province.

Consultation and input was provided to the Department of Finance in their review of the Labour Sponsored Venture Capital tax credit. The tax credit was re-authorized in 2001.

With regard to immigrant investment, the Immigrant Investor Program has been changed by the Federal Government to a one-avenue approach (i.e. the Federal Immigrant Investor Fund). Nova Scotia investigated the Provincial Nominee Program as adopted by several other provinces. After investigation and input by a public sector immigration committee, Nova Scotia decided to negotiate a Nova Scotia Provincial Nominee Program Agreement. This program will be used to encourage more economic immigrants to establish and invest in Nova Scotia businesses and fill skills gaps. It is expected that the Agreement will be signed in the summer of 2002.

***Priority F** — Develop, negotiate and implement economic development agreements with other levels of government in support of the implementation of the Nova Scotia Economic Growth Strategy .*

Four joint initiatives were negotiated under the Canada/Nova Scotia COOPERATION Agreement on Economic Diversification (EDA) with a focus on the Nova Scotia economic growth strategy: a Joint Innovation Initiative, Joint Cultural Initiative, Joint Entrepreneurship Initiative and Joint Policy and Research Initiative. Funds totaling $927, 211 have been allocated over the life of these projects (March 31, 2006). De-committed funds from other EDA projects will be reallocated to these projects. Projects proposed for discussion range from economic sector research to integrated digital economy initiatives.

In fiscal 2001-2002, $4,727, 054 was spent under the Information Economy Initiative within the EDA towards such programs as community access to computers, computers in the schools and software development.

The EDA Management Committee agreed to change its role to a joint policy/strategy discussion group on economic development issues of mutual concern.

Of the 68 active projects that were extended beyond the March 31, 2002 deadline under the EDA, 78% or 53 projects are either in the foundation or emerging sectors identified in *OfP*.

A formal project reporting relationship has been established between NSED, as budget manager, and NSBI as delivery agent, for the Pan Atlantic Trade Agreement (International Business Development Agreement).

In*NOVA*corp and NSED successfully completed two major federal/provincial agreements:

1) The Canada/Nova Scotia COOPERATION Agreement on Technology Development focused on diversifying and growing the economy through industry innovation and technology development. In 2001-02, 16 projects were completed.

2) The Canada/Nova Scotia COOPERATION Agreement on Industrial Development Opportunities focused on strengthening, expanding and diversifying the economic base of Nova Scotia. Two projects were completed in 2001-02.

GOAL 2. We will develop the partnerships, plans and resources necessary to facilitate government's strategic infrastructure investments. We will assemble the logistical capacity and resources to move ahead strategic economic infrastructure related projects, ensuring that the needs of rural business are balanced with opportunities for infrastructure investment in urban areas.

Priority A*—To support the Halifax Port Authority's effort to expand container terminal capacity in Halifax.*

The Province is interested in working with key stakeholders, including Halifax Port Authority and Canadian National Railway to ensure that the port is developed to its full potential. An interdepartmental committee (NSED, Transportation and Public Works, Finance and Service Nova Scotia and Municipal Relations) has been struck to review the Province's potential role and examine ways to move forward.

Priority B*—To work with business and stakeholders in the Strait and Sydney areas to assist in the development of strategic infrastructure.*

A port planning process was undertaken for Cape Breton that identifies, among other development opportunities, potential infrastructure requirements to support the petro-chemical

industry and other downstream energy-intensive industries. The studies and planning work are drawn from a broad stakeholder group. The results will be available at the end of 2002 and be used by Enterprise Cape Breton Corporation and Nova Scotia development agencies to attract port investments.

***Priority C**—Work with TPW, the federal government and other stakeholders to ensure the continued viability of the province's three main airports.*

There has been ongoing dialogue with the international airports in Halifax and Yarmouth, and the Sydney airport regarding their business climate needs and economic development potential. Discussions were initiated with ACOA and others, to ensure our airports are regarded and promoted as priority strategic infrastructure elements in an international gateway context for both the province and the Atlantic region. Specific NSED efforts included working with the Yarmouth Airport Commission to develop an air cargo terminal, and, working with the Halifax International Airport Authority on trade and marketing initiatives to improve air access and strengthen the Atlantic "hub" and spoke system of air services.

***Priority D**—Work with railway companies to upgrade rail links to North American markets through New England and extend private short lines in Nova Scotia.*

NSED facilitated ongoing and high level meetings among Ministers, the Premier and senior rail corporation executives, principally the President and CEO of CN Rail, with the mutual and express intention of keeping these communication channels open and responsive to new investment commitments to enhance rail connections between the province and the US. With regard to short-haul railways, specifically in response to the Point Tupper-to-Sydney abandonment proposal from the Cape Breton & Central NS Railway, NSED took the following actions: 1) commissioned an independent review of the business case and near-term market development prospects and presented the findings to all parties, and 2) facilitated business-to-business meetings between the key parties with the aim of increasing the rail freight traffic, and keeping the line open. Discussions are ongoing.

GOAL 3. We will maximize the impact of dollars spent on marketing the province and its products by aggregating resources, capitalizing on promotional investments already made, and enriching established relationships in national and international markets.

***Priority A**—Ensure that marketing messages about Nova Scotia are communicated consistently and effectively by government agencies and ensure that all potential cooperative marketing opportunities, both public and private sector, are identified and pursued.*

NSED facilitated the formation of a Brand Nova Scotia interdepartmental project team. The team, which reports to the Deputy Minister's Advisory Committee for Economic Growth, has set out a work plan and has proceeded to compile research in support of this integrated marketing initiative. In addition, *Open to the World*, Nova Scotia's marketing magazine, published four editions (e-merging, Ripple Effect, Power Play and Capital Gains), highlighting Nova Scotia

business successes.

Priority B—*Promote Cape Breton's diverse economy by marketing its strengths as an excellent location for investment.*

NSED contracted a series of consultation sessions in Cape Breton to identify best methods and strategic directions for investing provincial marketing resources to positively augment the messages about living, working and establishing a business on Cape Breton. A stakeholder project team, led by NSED in Sydney, met with the consultant and guidelines for the marketing program were established.

GOAL 4. With our partners and the people of Nova Scotia, we will help to develop Nova Scotia's work force of the future.

Priority A — *Co-ordinate the production of a business plan for the Labour Market Development Agreement for fiscal 2001 – 2002.*

The Labour Market Development Secretariat coordinated and released the Labour Market Development Agreement 2001– 2002 Business Plan. Priorities for 2001-2002 were literacy, early years, information technology, and youth. This work was transferred out of NSED and into the Department of Education.

Priority B—*Participate in an interdepartmental fact-finding team that will produce:*

- *(a) an inventory of key initiatives now underway in the province to improve skills development and training*
- *(b) background and recommendations on best practices in the delivery of training, particularly those that engage private sector partnership and investment*
- *(c) a prioritized list of occupational areas where evidence suggests that skills shortages are likely to be the most acute and where the failure to act will negatively impact key areas of the provincial economy*
- *(d) recommendations for a go-forward strategy to address skill shortages*
- *(e) a communications strategy to raise the level of awareness of this issue*
- *(f) a go-forward plan to develop a Skills Nova Scotia Strategy*

In February 2001, an interdepartmental committee (the Fox Committee) — with representation from Education, Community Services, NSED, Health, Petroleum Directorate, and Environment and Labour—was created to determine government's current labour market development activities to identify linkages between government, industry, labour and education, and to recommend an approach to labour market development. In December 2001, the labour market issues identified in the Skills Task Force Report (the *Fox Report*) were confirmed and direction on the government's approach to skills development was established. The lead for skills was given to the Department of Education on March 27, 2002.

***Priority C**—Assist in the creation and implementation of a government-wide template that will be used to indicate the number of jobs supported by government investment in the province.*

As indicated above, it has been determined that Economic Development is not leading labour market development nor the skills agenda.

***Priority D**—Provide work experience for young Nova Scotians to jump-start their careers by reviewing the Provincial Employment Program to ensure that it drives government's commitment to investing in Nova Scotians and helping to build rewarding careers for our young people here.*

In 2001, the Provincial Employment Program (PEP) along with several other programs in the NSED, were placed under a Program Management section that allowed for economies in administration and more focus on the programs supporting the broader goals of the department and the new economic growth strategy for the province.

The PEP Program ($4,675,000) primarily focused on providing career-related jobs for post-secondary students and work experience for the unemployed. Of the 1,949 jobs created, 90% were summer jobs, the remaining 10% were placements to cooperative education students over three terms and 49-week internships with the government.

Two-thirds of the budget for the PEP ($2,965,000) was administered directly by NSED and covered five employment programs; the remaining third ($1,710,000) was committed to youth employment programs in five other departments.

There was a strong emphasis on entrepreneurship and skill development throughout all programs. The Offshore Training Program created an additional 66 jobs and focused exclusively on training our youth in the oil and gas sector.

PEP dollars served to leverage additional dollars from other partners such as Canadian World Youth, Human Resources Development Canada, Stora Forest, Northeast Pipeline and employers to top up salaries in some of the programs.

A weighting factor was used to distribute positions across the province with preference for areas of high unemployment.

GOAL 5. With our partners, we will build regional capacity that supports economic growth around the province.

Priority A—*Develop a comprehensive government statement of community economic development (CED) policy and have it approved by Cabinet.*

Principles of CED have been produced to guide government engagement with communities throughout the province. These principles have been reviewed and supported by the Interdepartmental Committee on CED. They have been adopted by the Nova Scotia Rural Team, organized by the Federal Rural Secretariat, as their principles. However, a CED policy has not yet been approved.

Priority B — *Work with RDAs to prepare regional strategies linked to Opportunities for Prosperity; identify a short list of communities in transition and develop plans of action and identify viable economic opportunities.*

As a condition of provincial funding, all regional development authorities (RDAs) completed 2002-03 business and development plans that have demonstrated links to *OfP*.

Priority C — *Continue work with key representative organizations to expand participation in the economy by African Nova Scotians, Nova Scotia Mi'kmaq and women, especially in rural areas.*

NSED has expanded this work to include co-operatives and Acadian communities.

Funding was renewed for the continuation of the Black Business Initiative. NSED continued to participate as a resource on the organization's board.

NSED expanded its role in addressing the issues facing the Mi'kmaq of Nova Scotia. Staff have continued to participate in the Tripartite process whereby the Mi'kmaq, Canada and the Province address issues of mutual concern regarding economic participation. Replenishment of an EDA fund for Aboriginal economic development initiatives was achieved in this process. Staff are working more closely with the Office of Aboriginal Affairs in developing policy and preparing for forthcoming treaty negotiations. As well, they continue to sit on inter-departmental committees addressing larger initiatives of the Mi'kmaq (e.g. Mi'kmawey Debert). Work at the grassroots level in the communities continues on specific projects within the 13 Mi'kmaq communities and their development agencies.

A Memorandum of Understanding was signed with Le Conseil de dévelopment économique de la Nouvelle-Écosse (CDENE) in spring 2002 that outlines joint responsibilities in economic development. We also provide office space to CDENE in our Port Hawkesbury office.

Priority D — *Bring a CED perspective and departmental input to a range of economic development initiatives and activities such as youth, efforts to increase entrepreneurship, and activities designed to make the social assistance system more entrepreneurial; the Nova Scotia Rural Team, the Sustainable Communities Initiative. Work with the interdepartmental Committee on CED in bringing a CED perspective to a range of government activities, both federal and provincial.*

A CED perspective is brought forward in both the Nova Scotia Rural Team and the Sustainable Communities Initiative. Both groups represent a broad cross-section of provincial and federal government departments and agencies. We have been effective in expanding membership in both groups to other departments that have not traditionally been involved in CED.

Entrepreneurial support has increased with the restructuring of the YES Program. It is now a student entrepreneurial scholarship program rather than a loan program. The partnership base has been expanded to include the Canada Business Development Corporation (CBDC), University Business Centres, the Centre for Entrepreneurship Education and Development (CEED) and the Nova Scotia 4H Association.

Together with CEED, NSED undertook a province-wide consultation on entrepreneurship supports available at the community level in the public and private sectors. The information has been compiled into a report to be released in 2002-2003.

The partnership with ACOA to manage the regionalization sites of the Canada/Nova Scotia Business Service Centre has been renewed. Our responsibilities are defined in a new memorandum of understanding covering all 10 locations province-wide.

Priority E—*With our federal and other partners conduct a series of e-Business seminars to assist companies in every region of the province to understand both the risk and considerable potential in taking their business online, and to develop effective strategies to grow and expand their markets via the Internet.*

A series of e-Business seminars were conducted in 13 locations around the province through a partnership of 14 economic development organizations. The four-part series was well attended and evaluation indicators reflect that participants increased their understanding of the issues and opportunities around e-Business adoption, had their awareness of legal issues enhanced, and became more aware of what programs are available to assist them.

Note—Although not specifically referenced under a Goal, the activities of the Trade Policy unit merit comment. The function of the unit is to maintain an effective and proactive trade policy advisory/advocacy function to ensure that the interests of Nova Scotia business, industry and affected parties are adequately represented and articulated in the negotiation of multilateral and bilateral trade agreements and in the resolution of controversial trade disputes.

During 2001-02 NSED acted in solidarity with industry, the provinces and the federal government in presenting a united front during protracted and arduous negotiations with the United States over softwood lumber.

NSED representatives have served as advisors to other key government departments and to local industry and have maintained dynamic two-way dialogue with the federal government.

NSED was instrumental in bringing about the moratorium on federal government negotiations for a Free Trade Agreement with the European Free Trade Association (EFTA), because of the negative impact on Nova Scotia shipbuilders and marine fabricators servicing offshore oil and gas development, which would likely follow.

NSED continued to perform a vital leadership role in communicating, within the provincial government, trade developments occurring on various levels: multilaterally, bilaterally and inter-provincially: World Trade Organization, North American Free Trade Agreement and the Committee for Internal Trade. At the same time, NSED co-ordinated a broad range of diverse trade issues and effectively expressed provincial interests to ensure that our industries enjoy open market access and can successfully compete globally.

Human Resources

During 2001-2002, the Human Resources Corporate Service Unit (HR) was immersed in the creation of NSBI and the subsequent 'designation' of staff from the former NSED to the new corporation. During the creation of NSBI, new positions were identified in both organizations, and descriptions were written and evaluated. The HR unit placed ads and accepted applications for the four senior positions at NSBI that were subsequently passed over to the CEO of NSBI. The HR unit also provided training for the NSBI HR Consultant and continued to provide administrative support to NSBI.

The HR unit worked on the definition and establishment of new positions in the new NSED. Also, the unit worked to staff management and other positions at the new department.

Information Technology

As part of the NSED process to split into two entities— Nova Scotia Business Inc.(NSBI) and the NSED— the Information Technology Corporate Service Unit (CSU) supported both entities during the transition period. This involved ensuring that NSBI had the specifications for the equipment required for the new resources. NSBI had to be split from the shared server and all existing and new resources had to be moved to the new server. New e-mail groups were established as well as a post office for NSED.

The creation of NSBI and the ensuing split from NSED was a challenging undertaking and was the focus of the department for most of the year. As a result of this activity, the Information Technology Strategy was delayed and is expected to be approved early in the fall of 2002.

Financial Services

The Financial Services Group continued to provide detailed financial information to the senior management team and the Deputy Minister. This included a detailed monthly forecasting process involving departmental staff and a senior management summary report that was discussed with the Deputy Minister.

Staff attended a refresher course on the Salary Analysis System (SAS) and are utilizing SAS for all forecasting and analysis of departmental full-time employees (FTEs).

During 2001-02 a staff member of the CSU was a member of the "Corporate FTE Committee", chaired by Treasury and Policy Board, to develop new guidelines related to consistent recording of secondment FTEs across government. These guidelines are expected to be released early in fiscal 2002-03 and will facilitate better FTE recording.

Accurate recording of program costs continues to be a priority for the CSU. In May 2001, the Senior Financial Executive Forum (SFEF) prepared a discussion paper on Costing Government Services that led to the establishment of a government-wide Program Inventory and Costing Initiative committee by Treasury and Policy Board. The Director of Financial Services has provided input in several focus group sessions related to this initiative. It continues to be an on-going SFEF agenda item for discussion.

The Financial Services Group participated with NSED staff in the business planning/budgeting process that provided an opportunity for CSU staff to improve their understanding of the department and its priorities.

The Director and Manager of Financial Services, as well as other financial services staff, participated in several working groups related to the transition of NSBI as a separate entity from NSED. This was an opportunity to provide financial advice and recommendations to the client on specific courses of action.

Financial Results

Authority to Actual Comparison Fiscal 2001-2002

Summary by Division	Authority	Actual	Explanation of Variance
Senior Management	$784 000	$415 581	Decreases reflect a reallocation of funding to other divisions within the department and salary savings related to vacant positions.
Program Management and Operations	$12 624 000	$12 599 513	Recoveries associated with Education Marketing were higher than anticipated.
Strategic Management and Rural Development	$4 900 000	$3 730 549	Variance reflects decrease in expenditures for Cape Breton Marketing, transfer of Strategic Port Development to Program Management and Operations, and savings were also generated related to vacant positions and administrative costs as the division was not operational for the full year.
Investment and Special Assistance	$2 000 000	$2 827 707	Expenditure to the QEII Foundation partially offset by a number of grants that did not flow as expected.
Provision for Losses on Doubtful Accounts	$500 000	$19 945 941	Evaluation of allowance to reflect loan balances as of March 31, 2002.
Funds for Federal-Provincial Economic Cooperation	$13 900 000	$9 780 919	The decrease relates to expenditures for Federal/Provincial partnering that did not go forward in 2001-02 and expenditures for the EDA that were lower than anticipated.
Departmental Total	$34 708 000	$49 300 210	

Outcome Measures

As indicated earlier, although the results reported are based on fiscal year 2000–02, the outcome measures being used for the report are those established in 2002-03. Due to changes to the outcome measures from 2001–02 to 2002–03, some initiatives and data-collection methods were not developed. Further, the departmental restructuring 2001-02 inhibited progress toward many outcomes.

Core Business: Business Climate
Outcome: Most competitive business climate in Atlantic Canada
Measure: Business Climate Index
The preparation and release of a *Business Climate Index (BCI)* is a deliverable from *OfP*. The call for this report came from the business community, not government. Its release provides an opportunity to effectively liaise with local business organizations throughout the Province.
The *BCI* assesses the general business climate level across 52 indicators and then ranks the province on each of these relative to other provinces. These particular indicators were chosen because they are consistent on a year-over-year and jurisdiction-to-jurisdiction basis and are readily available. The equally weighted, multi-indicator approach combines all indicators to see an overall picture, rather than using a single indicator as a tool for policy analysis. The approach was developed for the provincial government by Canmac Economics Limited.

The indicators are grouped under four major headings:

1) Development Capacity - quality of the social and physical infrastructure supporting economic performance.
2) Economic Performance - strength and growth of the economy.
3) Tax & Fiscal Environment - measure of business and individual tax and expenditure levels
4) Business Vitality - strength of business sector.

The province is ranked for each indicator (1 = best) and all indicators are weighted equally. The overall ranking for each province is a sum of 39 individual rankings of indicators with 1999 data.

What does the measure tell us?
The *BCI* utilizes statistical indicators that are know to be significant drivers of a competitive business climate, and compares Nova Scotia to the other Canadian provinces.

Where are we now?
The target for Nova Scotia is to be ranked the best business climate in Atlantic Canada. For the first release, measuring 1999 data, Nova Scotia achieved this goal. Nova Scotia ranks 4th overall and 1st in Atlantic Canada using this methodology.

Nova Scotia Business Climate	
Business Climate Ranking	**Province**
1st	Alberta
2nd	Ontario
3rd	British Columbia
4th	**Nova Scotia**
5th	Quebec
6th	Manitoba
7th	New Brunswick
8th	Saskatchewan
9th	Newfoundland & Labrador
10th	Prince Edward Island

Source: Nova Scotia Office of Economic Development, *Business Climate Index*

The cross-Canada ranking for Nova Scotia, by the four major headings set out above is as follows:

1) Development Capacity - 5th
2) Economic Performance - 3rd
3) Tax & Fiscal Environment - 3rd
4) Business Vitality - 6th

Where do we want to go/be in the future?
Going forward, our challenge is to maintain the position of the best business climate in Atlantic Canada and increase our ranking on a national basis.

The release of the *BCI* signifies the beginning of a consultative process that will lead to an effective dialogue with our business communities. This will lead to better information to form the basis of program and policy development. It is expected that this document will become a widely anticipated release within two to three years.

Action plans are being developed for five of the 52 indicators: Business Immigration (2nd), Skilled Immigrants (6th), Workers Compensation Ranking (6th), Electricity Cost Index (8th), and Number of Patents Granted (8th).

Measure: Number of nominee certificates issued to immigrants
A priority of NSED is to bring more immigrant investment to Nova Scotia in key areas of the economy. After investigation and input by a public sector immigration committee, Nova Scotia decided to negotiate a Nova Scotia Provincial Nominee Program Agreement. It will encourage more economic immigrants to establish and invest in Nova Scotia businesses and fill skills gaps. These immigrants will help to improve our business climate.

What does the measure tell us?
The number of nominee certificates issued per year in Nova Scotia under the Provincial Nominee Program provides an indication of whether we are attracting immigrants who can help improve our business climate.

Where are we now?
The Province is near completion of negotiations leading to a Provincial Nominee Program Agreement. The anticipated signature date for the Agreement is the late summer 2002. The Program will be implemented in 2002–03 and baseline data will be collected in 2003–04.

Where do we want to go/be in the future?
The target for 2003–04 is five nominees. This first-year number is based on the experiences of other provinces. There is always a substantial implementation time that involves a six-month processing period and a significant learning curve for the employees who process the nominees. These factors have resulted in low nominee numbers during the first two years of operation of the nominee programs in other provinces. Based on this information, NSED has selected a target of five nominees for 2003–04.

NSED is planning a joint venture with an outside consultant to assist in the promotion and location of potential nominees.

Measure: State of infrastructure
Due to the reorganization of NSED, a staff person to lead the initiative to determine the state of Nova Scotia's infrastructure and to identify actions to improve Nova Scotia's infrastructure, was not hired. This situation will be addressed by OED.

Measure: Regular reports on Nova Scotia's labour market situation
Due to the reorganization of NSED, a staff person to lead reporting on the province's labour market situation, was not hired. This situation will be addressed by OED.

<u>Core Business: Strategic Services</u>
Outcome: Growth in the Nova Scotia Economy
Measure: Strategy Report Card and Evaluation Framework
Nova Scotia's economic growth strategy, *Opportunities for Prosperity (OFP)*, was released in the fall of 2000. It aims to build the depth and diversity of the province's economy in the first decade of the new century and promote the strengthening of Nova Scotia's knowledge economy.

What does the measure tell us?
The development of a framework for periodically evaluating the progress of activities is built into the strategy process. Included in the original strategy, it is a process of reviewing and updating priorities for continued implementation. Through an accounting of accomplishments to date and the renewal of the priority assumptions, *OfP* will remain relevant and effective.

Where are we now?
In December of 2001, consultants were hired to develop a framework for evaluation and carry out the first evaluation process. Information was gathered from provincial partners in the implementation process and a first draft report on findings is being prepared and will be complete in June 2002. Once the first Strategy Report Card is complete, NSED will have baseline data for 2001–02.

Where do we want to go/be in the future?
Once baseline data is compiled, NSED will be able to produce more specific targets for improvement. This will include an increase in the percentage of *OfP* activities implemented.

Outcome: Trade agreements that help Nova Scotia expand exports
Measure: Client satisfaction survey regarding satisfaction with trade agreements
Due to the reorganization of NSED this survey was not initiated.

Outcome: Increase Nova Scotia business participation in major procurement programs
Measure: An increased number of contracts secured by Nova Scotia companies
Measure: An increase in the rate of participation by Nova Scotia companies in crown procurement
Due to the reorganization of NSED, base year data has not yet been collected for these measures.

Core Business: Rural Development
Outcome: Economic capacity that supports economic growth
Measure: Regions with stable or increasing economic capacity
Due to the reorganization of NSED, base year data has not yet been collected for this measure. A baseline measure will be developed and data collected during 2003–03 that will establish 2002–03 as the base year.

Core Business: Program Management and Operations
Outcome: Successful projects
Measure: Indices that measure program focus and dollars as they relate to *OfP's* priority sectors and strategies.
An integrated tracking system was developed to determine how strategic programs focused on the goals of the NSED Business Plan. This tracking system tracks individual programs and their projects by: dollars spent, county, jobs created, emerging/foundation sectors (as outlined in *OfP*) and by additional partners. The student employment program is also being tracked for employment created in areas of highest unemployment and jobs created related to students' fields of study. Although this tracking system was developed to be implemented in fiscal 2002-

2003, the information on the programs and projects for 2001/2002 was reformatted to the template to calculate the outcome measures for this fiscal year.

The projects falling under this measure are: the Canada/Nova Scotia COOPERATION Agreement on Economic Diversification, the Pan Atlantic Trade Agreement(for which limited information was available), the Provincial Employment Program (PEP), and programs sponsored pursuant to small discretionary program grants. For 2001–02 the small discretionary grant programs were:

Eskasoni Open For Business–A partnership among NSED, Indian and Northern Affairs and the Eskasoni Economic Development Corporation. The focus of this project is to establish/operate an Open For Business entrepreneurship centre located in Eskasoni and serving the five Cape Breton Aboriginal communities.

Canada/Nova Scotia Youth Internship Program–A partnership among the Atlantic Canada Opportunities Agency, Human Resources Development Canada, Enterprise Cape Breton Corporation, NSED, Canada Business Development Centres, Regional Development Authorities (RDAs), the Black Business Initiative and the Centre for Entrepreneurship Education and Development. The focus of this project is to provide young people with post-secondary education the opportunity to work in the field of community economic development.

IE Electrical Engineering Student Executive–A partnership with Dalhousie University. The focus of this project was to expose students to relevant job opportunities in Nova Scotia through a business tour.

What does the measure tell us?
Measures that tell the key focus of each program and dollars as they relate to the what *OfP* is trying to achieve assist in determining whether these strategic initiatives are the right approach to achieving our business objectives. The information, tabulated annually, also helps provide OED with a continuous evaluation of programs and provides information on which to make program changes.

The measure indicates the percentage of programs that focus on the seven strategic directions and the vital economic sectors, the percentage of job creation in programs that focus on the seven strategic directions and the vital economic sectors, the percentage of program dollars directed at the Province's top areas of unemployment, and the percentage of program jobs created in the Province's top areas of unemployment.

Where are we now?
In 2001-02, fifty-three percent of programs focused on the priority sectors and strategic directions. Fifteen percent of jobs created by these programs focused on the priority sectors and strategic directions. Sixty-eight percent of program dollars were directed to the top three areas of highest unemployment. Seventy-four percent of program jobs were created in the top three areas of highest unemployment.

Where do we want to go/be in the future?
NSED was aiming to have 30 per cent of projects focus on *OfP* priorities for 2001-02; however, 53 per cent actually did. The target for 2002-03 is 65 per cent.

For 2002-03, OED aims to improve upon the percentage of project jobs created in priority sectors and strategic directions. An action plan will be piloted in the 2002-03 winter term of PEP. It places more focus on the priority sectors and strategic directions of *OfP* and is based on a ranking system.

In 2002-03, OED also aims to improve upon the percentage of dollars directed and the percentage of jobs created in the top three areas of unemployment.